June 10, 2004

Amy G. Rabinowitz, Esq.
National Grid
25 Research Drive
Westborough, MA 01582-0099

Re: Massachusetts Electric Company, D.T.E. 04-46 (Summer Load Relief Program and Service Agreement)

Dear Attorney Rabinowitz:

On April 23, 2004, Massachusetts Electric Company ("MECo" or "Company"), pursuant to G.L. c. 164, § 94 and 220 C.M.R. §§ 5.00 et seq., submitted for approval by the Department of Telecommunications and Energy ("Department"), a proposed tariff and service agreement for a Summer Load Relief Program ("2004 Program" or "Program"). MECo states that the 2004 Program is similar to the Company's 2003 Summer Load Relief Program ("2003 Program") approved in Massachusetts Electric Company, D.T.E. 03-53 (2003) (MECo Transmittal Letter at 1 (April 23, 2004)). The Company proposes to implement the 2004 Program through September 30, 2004 (id.). The Department docketed the 2004 Program as D.T.E. 04-46.

MECo asserts that the proposed 2004 Program is intended to reduce the potential for operational or service problems in affected areas during peak loads this summer (id. at 1, 3). The Company states that the Program would provide a number of benefits: (1) participating customers would receive direct credits on their bills for voluntary load reductions; (2) voluntary customer load reductions could prevent overloads; and (3) MECo would gain additional information regarding customer participation in demand response initiatives (id.). The Company claims that the Program will not affect charges to any other customers. MECo states that the Program would be fully funded by the Company (id.). Moreover, the Company does not propose penalties for non-compliance when an enrolled customer fails to reduce load when called for by MECo (id. at 3).

MECo states that it has selected three sites for the 2004 Program: (1) the Gloucester area, including Rockport, which was part of the Company's 2003 Program ("Gloucester Area"); (2) customers fed from the Boulevard and Hoover Streets substations in Lowell ("North Lowell Area"); and (3) customers fed from the East and North Dracut substations in Dracut ("Dracut Area") (id. at 1-2). The Company states that it has been working to improve its delivery infrastructure to serve customers in the Gloucester Area (id. at 1). MECo also states that the Gloucester Area is fed from 23 kilovolt ("KV") and 34 KV sources, and that the Company is in the process of upgrading to serve growing load in the area (id.). Moreover, MECo asserts that, although it expects to complete permanent infrastructure improvements to the Gloucester Area this summer, the Company's 2004 Program is a temporary solution to increase service capability prior to the completion of the permanent improvements (id. at 1-2).

Regarding the Dracut and North Lowell Areas, MECo states that infrastructure improvements will be needed in the next three to eight years (id.). The Company proposes to expand the Program to include these two areas in order to determine whether implementing a load relief program earlier in the planning and permitting process can provide sufficient load relief to assist in this infrastructure improvement process (id. at 2).

Participation in the 2004 Program would be available to G-3 customers in the three sites with electricity demands of more than 200 kilowatts ("KW") (Program at 1; Proposed Service Agreement at 1).[1] The 2004 Program provides that customers who enroll in the Program and reduce consumption when requested by MECo will receive a credit of $0.50 per kilowatthour ("KWH") for every KWH reduced (Program at 3). MECo represents that the $0.50 per KWH credit has been reported by industry sources to produce reasonable load reduction performance (Transmittal Letter at 2, n.1 (April 23, 2004)). Further, the Company explains that results from the Brockton summer load relief pilot program[2] implemented in June, 2002, suggest that a credit of this amount is sufficient to induce customers to curtail load (id.). MECo states that, based on discussions with several eligible customers, the Company has the potential to achieve load reductions of approximately 1,000 to 2,000 KW in the Gloucester Area, and another 1,000 to 2,000 KW in the North Lowell and Dracut Areas during peak summer loads (id.).

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[1] Participation in the 2003 Program was available to customers whose monthly billing demand exceeded 100 KW and who were capable of reducing their load by at least 50 KW. D.T.E. 03-53, at 2.

[2] In June, 2002, the Department approved the Company's Brockton summer load relief pilot program tariff, M.D.T.E. No. 1060.

The Department considers the 2004 Program an innovative approach to maintaining distribution reliability consistent with the widespread movement to introduce load response into the wholesale and retail electricity markets. The Program may provide valuable lessons that could be applied to distribution companies throughout the state. See D.T.E. 03-53, at 3. Accordingly, the Department approves the Company's 2004 Summer Load Relief Program. The Department emphasizes that approval of the 2004 Program does not establish a precedent for other similar types of programs that may be proposed by other distribution companies. Instead, each such proposal would need to be evaluated on its own merits. In addition, the Department's approval of the 2004 Program is not, in any way, to be construed as a ruling relative to any ratemaking treatment that will be accorded any investment associated with this program.

As with the implementation of the 2003 Program, the Department directs the Company to submit a report regarding the lessons learned from the 2004 Program's implementation. The report shall including the following information:

(1) the number of customers that participate in the 2004 Program and the amount of potential KW reduction represented by the customers;
(2) the number of load curtailments that were called;
(3) the number of customers that curtailed load when requested and the KW reduction that was achieved;
(4) five years actual summer peak load demand and five years summer peak load demand forecast for the three sites in the 2004 Program;
(5) summer normal rating and summer emergency ratings of the equipment in each of the three 2004 Program sites; and
(6) major contributing factors to the peak load condition during each load curtailment day.

MECo shall submit this report no later than November 1, 2004. Lastly, the Company shall file a tariff and service agreement consistent with this Order.

By Order of the Department,

Paul G. Afonso, Chairman

James Connelly, Commissioner

W. Robert Keating, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner

cc: Mary Cottrell, Secretary
Joseph Rogers, Attorney General's Office
Robert Sydney, General Counsel, Division of Energy Resources